

**TO:** Department of Water Resources  
**FROM:** State Water Contractors<sup>1</sup>  
**DATE:** January 22, 2014  
**SUBJECT:** Reporting Section of Seventh Offer for Extension of the State Water Project<sup>2</sup> Water Supply Contracts

This document contains additional proposed Statement of Principles that could provide the foundation for an agreement among the State Water Project Contractors<sup>3</sup> (Contractors) and the Department of Water Resources (DWR) that will extend the contracts.

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## **VII. OBJECTIVE 2G: REPORTING REQUIREMENTS**

The SWRDS Finance Committee is charged with providing financial policy recommendations to the DWR Director, and the DWR Director has final discretion on whether or not to accept the recommendations. Timely and accurate financial reporting and financial management reporting provides access to decision-useful information that can be used by the SWRDS Finance Committee to formulate a range of recommendations on financial policy matters. As identified by the Government Finance Officers Association of North America (GFOA), key components of financial reporting include maintaining an accounting system adequate to provide all of the data needed to allow for the timely preparation of financial reports and issuing timely financial reports. Financial reporting and financial management reporting promote transparency.

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<sup>1</sup> The SWC organization is a nonprofit mutual benefit corporation that represents and protects the common interests of its 27 member public agencies in the vital water supplies provided by California's State Water Project ("SWP"). Each of the SWC member agencies holds a contract with the California Department of Water Resources ("DWR") to receive water supplies from the SWP. Collectively, the SWC members deliver water to more than 25 million residents throughout the state and more than 750,000 acres of agricultural lands. SWP water is served from the San Francisco Bay Area, to the San Joaquin Valley and the Central Coast, to Southern California. The SWC's members are: Alameda County Flood Control and Water Conservation District Zone 7; Alameda County Water District; Antelope Valley-East Kern Water Agency; Casitas Municipal Water District; Castaic Lake Water Agency; Central Coastal Water Authority; City of Yuba City; Coachella Valley Water District; County of Kings; Crestline-Lake Arrowhead Water Agency; Desert Water Agency; Dudley Ridge Water District; Empire-West Side Irrigation District; Kern County Water Agency; Littlerock Creek Irrigation District; Metropolitan Water District of Southern California; Mojave Water Agency; Napa County Flood Control and Water Conservation District; Oak Flat Water District; Palmdale Water District; San Bernardino Valley Municipal Water District; San Gabriel Valley Municipal Water District; San Geronio Pass Water Agency; San Luis Obispo County Flood Control & Water Conservation District; Santa Clara Valley Water District; Solano County Water Agency; and Tulare Lake Basin Water Storage District.

<sup>2</sup> The State Water Project is the name commonly used to refer to the State Water Resources Development System (Water Code Section 12931)

<sup>3</sup> The State Water Project Contractors includes the SWC organization's 27 member public agencies, Butte County Water and Resource Conservation, and Plumas County Flood Control and Water Conservation District.

Financial reporting includes historically factual data that covers actual transactions during a reporting period. Financial management reporting is forward looking and includes trend analysis, forecasting and other information that may of a predictive value.

During the term of the water supply contracts, it is likely that financial and financial management reports will change in scope, nature and frequency. Regardless of the exact reports used, the principals and guidelines for financial reporting will include:

Principal 1: Financial reporting will be generated from the general ledger or data warehouse of the financial information system (system of record), rather than being developed “off book.”

- The financial system of record is the authoritative source for financial reporting data values in a system. To ensure data integrity, there must be one, and only one, system of record for financial reporting values.

Principal 2: Financial reporting is not limited to annual financial statements, but will be developed for regular reporting periods.

Principal 3: Financial reporting and financial management reporting will identify unusual items and exceptions, and these items will be documented, resolved and reviewed by management on a timely basis.

Principal 4: Financial management reporting will identify and analyze significant variances from prior years or budgets.

Principle 5: DWR will use standardized System-wide business rules and utilize a centralized financial system, such as SAP, to provide controls/validations to insure data integrity and reliable reporting.

Principle 6: DWR will use standardized data integrity rules in the development and publication of reports, including but not limited to the following:

- (1) Data integrity refers to the accuracy and consistency of data stored in a database, data warehouse, data mart or other construct.
- (2) Data integrity processes verify that data has remained unaltered in transit from creation to reception or remains unaltered in transit from one system to the next.
  - a. Data used outside of the PR5 or UCABS SAP systems to meet the reporting needs of Program will undergo any number of operations in support of decision-making, such as capture, storage, retrieval, update and transfer. It is important to have confidence that during these operations, the data will be kept free from corruption, modification and remain unaltered.
- (3) Data with “integrity” has a complete or whole structure. Data values are standardized according to a data model and/or data type. All characteristics of the data must be

correct – including business rules, relations, dates, definitions and lineage – for data to be complete.

- (4) Data integrity is imposed within an SAP database when it is created and is authenticated through the ongoing use of error checking and validation routines.
- (5) Data integrity state or condition is to be measured by the validity and reliability of the data values.
- (6) Data integrity service and security maintains information exactly as it was input, and is auditable to affirm its reliability.